



Title: I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 06-23, Arkansas State Income Tax Withholding

Date: June 5, 2006

To: Holders of TAXES (State of Arkansas only)  
Personnel User Groups  
T&A Contact Points in Arkansas

Beginning with wages paid for Pay Period 11, 2006, the National Finance Center (NFC) will make a system change to the calculation for the personal tax credit with regard to Head of Household for the state of Arkansas.

No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to NFC's Home Page ([www.nfc.usda.gov](http://www.nfc.usda.gov)) and click **Pubs & Forms**. Then on the Pubs & Forms page left-hand menu, click **Tax Formulas** and select the appropriate state from the map provided. Changes to the tax formula are identified by "►◄".

For questions about NFC processing, contact the Payroll/Personnel Call Center at **504-255-4630**.

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Government Employees Services Division

# Arkansas State Income Tax Information

**State Abbreviation:** AR  
**State Tax Withholding State Code:** 05  
**Basis For Withholding:** State Exemptions  
**Acceptable Exemption Form:** AR4EC or W-4  
**Acceptable Exemption Data:** S, M, N, H, 0 /Number of Dependents  
**TSP Deferred:** Yes  
**Special Coding:** Determine the Total Number Of Allowances field as follows:  
 First Position - S = Single; M = Married, Claiming Both Husband and Wife; N = Married, Claiming Self Only; H = Head of Household; 0 (zero), No Personal Exemption or Dependents Claimed.  
 Second Position - Enter the number of exemptions claimed for dependents. If less than 10, precede with a zero. If no dependents are claimed, enter 00 in the second and third positions.  
**Additional Information:** None

## Withholding Formula ►(Effective Pay Period 11, 2006)◄

1. Subtract the biweekly Thrift Savings Plan contribution from the gross biweekly wages.
2. Subtract the nontaxable biweekly Federal Health Benefits Plan payment(s) (includes flexible spending account - health care and dependent care deductions) from the amount computed in step 1.
3. Add the taxable biweekly fringe benefits (taxable life insurance, etc.) to the amount computed in step 2 to obtain the adjusted gross biweekly wages.
4. Multiply the gross biweekly wages by 26 to obtain the annual wages.
5. Subtract the standard deduction of \$2,000 from the result of step 2 to compute the taxable income.
6. Apply the taxable income computed in step 3 to the following table to determine the annual Arkansas tax withholding.

Tax Withholding Table			
If the Amount of Taxable Income Is:		The Amount of Arkansas Tax Withholding Should Be:	
Over:	But Not Over:		Of Excess Over:
\$ 0	\$ 3,000	\$ 0 plus 1.0%	\$ 0
3,000	6,000	30 plus 2.5%	3,000
6,000	9,000	105 plus 3.5%	6,000
9,000	15,000	210 plus 4.5%	9,000
15,000	25,000	480 plus 6.0%	15,000
25,000	and over	1,080 plus 7.0%	25,000

7. Determine the personal tax credit by applying the following guideline and subtract this amount from the result of step 4 to compute the annual Arkansas tax withholding.

<b>If the Employee Is Claiming Status As:</b>	<b>Then the Annual Exemption Allowance Should Be:</b>
Single - Personal Exemption Code S	\$20
Married - Personal Exemption Code M	\$40
Married - Personal Exemption Code N	\$20
▶ Head of Household - Personal Exemption Code H ◀	\$40
Zero - Personal Exemption Code 0 (zero)	\$ 0

If the employee claims any dependent exemptions, multiply each by \$20 and add this to the annual exemption amount computed above.

▶ **Note:** The personal exemption code is based on the marital status in the first position of the exemption code recorded on the Information/Research Inquiry System (IRIS), Program IR105, State Tax. The dependent exemptions are the last two positions of the exemption code on IRIS Program 105. For example, if the employee has an exemption code of **H02**, they would receive a personal tax credit of \$80 which is \$40 for Head of Household and \$40 for the 2 dependent exemptions. ◀

8. Divide the annual Arkansas tax withholding by 26 to obtain the biweekly Arkansas tax withholding.